

7. For Class III NFs which are approved as a combination of ventilator/respirator type and some other SCNF type listed at section 3.3(a)3ii, the reasonable limit for maintenance and replacements will be determined by multiplying the current costs of maintenance and replacement attributable to each type of SCNF patient times the respective cost per square foot maintenance and replacement cost limits. The products will be totaled, and then divided by the total current cost of maintenance and replacement expenses. The resulting combined cost limit will then be multiplied by the reasonable long term care square feet of the SCNF to determine the maintenance and replacement screen.

| | (1) Cost | (2) Limit Per Sq. Ft. | (3) Total (1) x (2) |
|-------|-------------|-----------------------------|---------------------------|
| Vent | A | C | E |
| Other | <u>B</u> | D | <u>F</u> |
| Total | G | | H |

Weighted limit per square foot = H/G.

Total reasonable limit = Weighted limit x Square feet.

96-9-MA(NJ)

OFFICIAL

11-11-96 16-09
Superseded by **New** Effective Date
MAR 3 1996
MAR 18 1996

8. Base period expenditures in excess of this maximum allowance may be carried forward and applied in future years in which expenditures are below their respective maximum allowances.

- i. Actual expenditures that are below the limits for the base period, may be carried and applied to excess expenditures in subsequent years. The following example illustrates how two typical NFs would be affected. Savings are indicated in parentheses, for example, (20.00) means a savings of \$20.00.

| YEAR No. 1 | NF A | NF B |
|----------------------------------|-----------|------------|
| Actual Expenditures | \$130.00 | \$ 80.00 |
| Limit | \$100.00 | \$100.00 |
| Excess (savings carried forward) | \$ 30.00 | (\$ 20.00) |
| YEAR No. 2 NF A | EXAMPLE 1 | EXAMPLE 2 |
| Actual Expenditures | \$ 60.00 | \$ 85.00 |
| Carried forward | +\$30.00 | +\$30.00 |
| Total Eligible | \$ 90.00* | \$115.00 |
| Limit | \$105.00 | \$105.00* |
| Carried forward to Year No. 3 | (\$15.00) | \$ 10.00 |
| *included in rates | | |

96-9-MA(NJ)

OFFICIAL

TN 96-09 MAR 3 1996
Supersedes TN 95-14 Effective Date MAR 18 1996

| YEAR No. 2 NF B | EXAMPLE 1 | EXAMPLE 2 |
|-------------------------------|-----------|-----------|
| Actual Expenditures | \$120.00 | \$130.00 |
| Limit | \$105.00 | \$105.00 |
| Plus Carried Forward | +\$20.00 | +\$20.00 |
| Revised limit | \$125.00 | \$125.00 |
| Carried forward to Year No. 3 | \$ (5.00) | \$ 5.00 |
| *Included in rates | | |

9. Expenditures for replacements, capitalized maintenance and leases will be prorated to nursing patients, based upon the ratio of nursing square feet (including a prorated share of common areas) to total plant square feet.

3.15 Property insurance

- (a) An allowance for property insurance will be developed for each home as follows:

1. Base period property insurance costs per dollar of appraised value and per dollar of 1977 replacement costs will be calculated for all Class I NFs. Separate calculations will be made for Class II facilities and each type of Class III facility.

96-9-MA(NJ)

OFFICIAL

TTL 96-09
Supersedes 95-14
MAR 3 1998
MAR 18 1998

2. Mathematical techniques will be applied to this data to develop formulas describing the normal relationships between property insurance costs and appraised values and estimated replacement costs. Separate formulas will be developed for urban and non urban NFs.
3. The procedures described in the preceeding section (3.14) will be used to eliminate extremes and to develop the formula to be used to calculate the reasonableness limit for property insurance, except for the calculation of Class III limits.
4. Each NF's reasonableness limit per reasonable plant square foot will be developed by applying this formula to its particular factors and incrementing the result by 10 percent. No allowance will be provided for plant square feet considered unreasonable per section 3.7(a)1. and 2.

3.16 Target Occupancy Levels

- (a) A target occupancy level of 95 percent of licensed bed-days (excluding quiet beds) will be used to develop the reasonable per diem amounts of the following rate components:

1. Property taxes;

OFFICIAL

TN 95-14 Approval Date APR 30 1998
Supersedes TN New Effective Date JAN 02 1998
2 86-1288-36 & 90-10 & 92-30 & 88-24

95-14-MA(NJ)

2. Utilities;
3. Special amortization;
4. CFA for:
 - i. Buildings and building equipment;
 - ii. Land and land improvements;
 - iii. Moveable equipment;
 - iv. Maintenance and replacements;
 - v. Property insurance.

(b) For Class III NFs, if the base period Medicaid occupancy is 80 percent or greater, the target occupancy for the rate components in (a) above will be 90 percent.

(c) The per diem amounts for all other expenses will be based upon reasonable base period costs divided by actual base period patient days (but no less than 85 percent of the licensed bed days will be used).

1. Actual base period patient days shall include paid bed hold days.

TN 95-20 Approval Date SEP 25 1995
Supersedes TN 95-14 Effective Date APR 1 - 1995

OFFICIAL

95-20-MA(NJ)

- (d) For new Class I and Class II facilities an occupancy rate of 80 percent will be used for provisional rates during the first year of operation subject to retroactive adjustments to actual occupancy should it exceed 80 percent (but no higher than 95 percent will be used).
- (e) For new Class III NFs, an occupancy rate of 80 percent will be used for provisional rates during the first year of operation. The retroactive adjustment from an interim to an actual rate for the first year of operation shall use actual occupancy should it exceed 80 percent (but no higher than 95 or 90 percent will be used as determined by (a) or (b) above.

3.17 Restricted funds

- (a) Where donor restricted funds have been expended for operating purposes and, accordingly have been reported as an expense recovery/elimination, the availability and use of such funds will not be taken into account in establishing rates to the extent that they produce actual unit costs below the median unit costs and NF's developed for determining reasonableness. (It should be noted that the availability or use of such funds will not be taken into account at all with respect to CFA calculations.)

OFFICIAL

TN 95-14 Approval Date APR 30 1998
Supersedes TN New Effective Date JAN 03 1998

95-14-MA(NJ)

86-1288-36 & 90-10 & 92-30288-24

- (b) The intent of this provision is to exclude, in screening, expenditures made from donor-restricted funds, but not to "appropriate" such funds where they result in net costs below the median.

3.18 Adjustments to base period data

(a) As described in previous sections of these guidelines, with the exception of capital items, rates will be based substantially upon reasonable actual base period costs. This section provides for adjustments to reasonable base period costs in establishing prospective rates.

1. Appropriate adjustments will be made to reasonable base period costs for the effect of changes between the base period and the prospective rate period in:

- i. State or Federal standards of care;
- ii. Definitions of "routine patient care services" reimbursable in Medicaid per diems;
- iii. Limitations on total or per diem amounts of special patient care services reimbursable in Medicaid per diems.

OFFICIAL

TN 95-14 Approval Date APR 30 1998

95-14-MA(NJ)

Supersedes TN New Effective Date JAN 03 1996

286-1288-36240-10 + 22-30 + 88-24

2. NFs may also request that cost in addition to base period expenditures be included in the prospective rates owing to:
- i. Actions mandated by governmental authorities and/or approved by same in the certificate of need process ("legal changes):
 - ii. Desires to increase the quality of care above that attainable at base period cost levels ("management" changes).
 - iii. Appointment of a special medical guardian required to authorize emergency medical treatment for a patient.
 - iv. Emergency evacuation of a facility which was conducted consistent with an Emergency Management Evacuation Procedure which has been duly adopted and fully implemented by the facility. Costs in additions to base period expenditures for emergency evacuation shall be extraordinary costs which are directly related to evacuation, and routine costs which exceed base period levels as a direct result of the emergency evacuation.
3. With respect to requests for management changes, the departments will take the position that it is not a prerogative of a rate

TN 95-20 Approval Date SEP 25 1998
Supersedes TN 95-14 Effective Date APR 1 - 1995

OFFICIAL
95-20-MA(NJ)

setting body to unilaterally make or amend social policies, especially with respect to the appropriateness of current allocations of State resources to the care of indigent NF patients. Accordingly, in the absence of other compelling reasons, management changes will be approved only in areas where quality has been found to be marginal by health facility inspection and actual costs are commensurately low.

4. Where legal and management changes have been approved and the approved costs are not expended in the prospective rate period, the unspent amount will be recovered from the NF.

TN 95-20 Approval Date SEP 25 1998
Supersedes TN New Effective Date APR 1 - 1995

95-20-MA(NJ)

OFFICIAL

5. In the case of significant items, the Medicaid program may exclude the effects of legal and management changes from rates until the change is effected, and if necessary, new appraisals are made.

3.19 Inflation/Deflation

- (a) A provision will be added to reasonable base period costs to provide for inflation/deflation between the base period and the prospective rate period. Changes in two factors will be used to develop this provision.
 1. ~~Average~~ hourly earnings of manufacturing employees in New Jersey as published by the Bureau of Labor Statistics (weighted 60 percent);
 2. The Consumer Price Index as published by the Bureau of Labor Statistics (weighted 40 percent).
- (b) This inflation factor will be developed by the Medicaid program.
- (c) Should the economic factor as developed for hospitals include a

95-30-MA(NJ)

OFFICIAL

IN

95-30

NOV 9 1988

Superseded by 95-14 effective 8/1/85

AUG 14 1985